

The APPRAISER *Bulletin*



VOLUME 6 NO. 2 A Publication of the Alabama Real Estate Appraisers Board SUMMER 2002



T. Mandell Tillman

T. Mandell Tillman has been appointed by Governor Don Siegelman to represent the 4th Congressional District for a period of three years. He is a Certified General Real Property Appraiser and a principal in Real Property Services, Inc., Gadsden, AL.

Mandell is a graduate of Jacksonville State University and an appraiser for over 20 years. He is well known in Alabama as an Instructor for the Appraisal Institute and other course providers.



Kathryn Bentley

Kathryn Bentley has joined the Board Staff as a Real Estate Appraisal Investigator. She is a native of Mississippi and a graduate of Belhaven College in Jackson. Kathryn is a Certified Residential Real Property Appraiser and has eleven years experience

most recently as an independent fee appraiser in the Birmingham area. Ms. Bentley teams with fellow appraisers Barry Hollyfield and Randy Robertson in the investigative unit.

USPSP Education Changes

Revisions to the real property appraiser qualifications criteria made by the Appraiser Qualifications Board (AQB) of the Appraisal Foundation are effective **January 1, 2003**. The revisions relate to both qualifying and continuing education in the Uniform Standards of Professional Appraisal Practice (USPAP) and are as follows:

USPAP courses taken for qualifying and continuing education must be the National USPAP courses of the Appraisal Foundation or their equivalent. Equivalency is determined by AQB.

In order for an appraiser to receive state credit for attending a USPAP course as described above it must have been taught by an AQB certified USPAP instructor who is also a state Certified Residential or General Appraiser.

Continuing education requirements for real property appraisers have been modified to require 7 hours of USPAP instruction every two years. The overall continuing education requirement of 14 hours per year remains unchanged. The Alabama requirement for a 15-hour USPAP course with exam at least every 6 years is also unchanged.

Qualifications to become an AQB certified USPAP instructor include at least 7 years of appraisal experience in any discipline and at least 35 classroom hours of appraisal teaching experience within the last 5 years. AQB certified USPAP instructor candidates must then on a one time basis attend the 2½ day AQB instructor certification course and receive a passing grade on the examination. Thereafter, in order to maintain AQB certified USPAP instructor status the instructor must attend a 7 hour USPAP update course for instructors and pass the examination every two years.

Further information on the National USPAP courses and the AQB USPAP instructor certification process can be obtained from their website www.appraisalfoundation.org under Program to Improve USPAP Education.

For license renewals in September 2003, the Board will accept USPAP courses, which are not the National USPAP course or its equivalent **only** if it is taken prior to January 1, 2003. Those licensees who take a USPAP course after December 31, 2002 for CE hours **must** take the National USPAP course or its equivalent.

License Renewal

Annual license fee notices will be mailed to all current licensees the first week in August 2002 for the licensure year, which begins 10-1-02. The renewal forms with appropriate remittance should be sent to reach the Board office no later than September 30, 2002 to keep your license valid and avoid payment of late fees. September 30 postmarks will be honored. Blank renewal forms can also be obtained from our website at www.reab.state.al.us.

Allow one week for the renewal process if received at the Board by August 30, 2002, two weeks if received between that date and September 16, 2002 and three weeks if received later. Your current license certificate reflects an expiration date of September 30, 2003.

However, it does not continue to be valid beyond September 30, 2002 without the annual license fee payment. You will receive a letter from the Board when the renewal process is complete.

Proof of continuing education completion will **not** be due with this license fee renewal but **will** be due in connection with the 2003 license fee and certificate renewal. Be sure you have read the article on page one of this bulletin concerning changes **effective** January 1, 2003 in the National Requirements for USPAP Education.

As information we have **attempted** for several years to change license fee payment from annual to biennial to be consistent with license certificate reissue but have **not** been successful in getting the Law changed.

“TOP 10” DEFICIENCIES

1. Failure on the part of a Supervisory Appraiser to provide adequate supervision and/or training to Trainee Real Property Appraisers
 2. Selection and use of inappropriate comparable sales or failure to use comparables that are locationally and physically most similar to the subject property
 3. No meaningful discussion or support to explain large adjustments in the Sales Comparison Analysis, and inconsistencies among the adjustments applied to the comparables
 4. Inaccurate, incomplete, or intentionally misleading description of the subject neighborhood, site, improvements, or comparable sales
 5. In appraisal of older residential properties, no information provided in support of unreasonably low effective age estimate for the Subject and/or comparables
 6. Failure to disclose and analyze pending agreements of sale or listings of the subject property and failure to report previous sales history within prescribed USPAP time frame (1-year Minimum for one-to-four family residential properties)
 7. Boilerplate reconciliation comments in the Sales Comparison Analysis that provide no meaningful explanation as to which comparables were given the most weight, and why, in determining the value estimate
 8. Insufficient information provided in the report to enable the reader to understand how the appraiser reached his or her conclusions, i.e. site valuation methodology, methodology employed to estimate depreciation
 9. Failure to verify comparable sales data with one or more of the parties involved in the transaction
 10. Non-compliance with USPAP Competency Rule in the development and communication of an appraisal
- This list was compiled by Alabama Real Estate Appraisers Board investigators. It reflects the most frequently occurring problems noted in the review of complaints involving residential appraisals.

Proposed Trainee/Supervisor Policy

The Board is charged with the responsibility of providing competent licensees to perform appraisal work for consumers. The purpose of the Trainee Real Property Appraiser classification is to enable an individual to be competently trained in the practice of real estate appraisal. An appraiser who accepts responsibility for the supervision of a Trainee must be willing and capable of providing sufficient time and knowledge in the systematic development of a Trainee.

We continue to see a pattern in complaints received at the Board, which indicates that in many

instances Trainee appraisers are not receiving appropriate guidance and direction from their Supervisor appraisers. Accordingly, we have developed proposed Board policy requirements covering the respective responsibilities of both supervising appraisers and Trainees. The **proposed** requirements are listed on the following page and also on our website www.reab.state.al.us under Latest News.

We would appreciate receiving your written or e-mail comments on any aspect of the proposed policy no later than August 1, 2002.

Responsibilities of Supervising Appraiser

1. The supervising appraiser shall have been a Certified Residential, Certified General or Licensed Real Property Appraiser for at least two (2) years.
2. The supervising appraiser must be qualified to perform the type of appraisal being supervised.
3. The supervising appraiser shall be responsible for and provide direct supervision of the work performed by a trainee **in accordance with USPAP**.
4. The supervising appraiser will inspect with the trainee the interior and exterior of each piece of property involved in the **first 100** appraisal assignments.
5. The supervising appraiser will carefully review the report and accept full responsibility for its contents before signing the report as being independently and impartially prepared **in compliance with USPAP**.
6. The supervising appraiser shall review and sign the experience log required to be kept by the trainee and maintain a copy in his/her records.
7. Upon request, the supervising appraiser shall provide the Board a copy of any appraisal report that the trainee signed under his/her supervision.
8. A supervising appraiser shall:
 - a. Immediately, within thirty (30) days, inform the Board of the name and address of his/her trainees.
 - b. Immediately, within thirty (30) days, notify the Board when supervising appraiser/trainee relationship is terminated.
9. Diligent adherence to USPAP guidelines is mandatory in all areas of responsibility.
10. Any violation of these responsibilities can result in the revocation of supervisory status or other disciplinary action.

Responsibilities of Trainee Appraiser

1. The Trainee must work under the direct supervision of a Certified Residential, Certified General or Licensed Real Property appraiser.
2. The Trainee must maintain an experience log on a form provided by the Board. The supervising appraiser must review and sign the experience log each month.
3. The Trainee must inspect the interior and exterior of the property and fully participate in the appraisal process in order to receive experience credit.
4. Assure that the supervising appraiser reviews the appraisal report and signs as supervisor. The Trainee must sign the report or in the alternative the appraisal report must detail his/her involvement.
5. A Trainee appraiser shall:
 - a. Immediately, within thirty (30) days, inform the Board of the name and address of his/her supervisor.
 - b. Immediately, within thirty (30) days, notify the Board when supervising appraiser/trainee relationship is terminated.
6. A trainee can only have one designated supervisor at a time unless unique circumstances are approved by the Board on a case-by-case basis.
7. Each time a trainee changes to a different designated supervisor the supervised appraisal count starts again with no credit given to previous supervised appraisals unless exception can be demonstrated.
8. A trainee must disclose their trainee status in a manner that is not misleading.
9. Diligent adherence to USPAP guidelines is mandatory in all areas of responsibility.
10. Any violation of these responsibilities can result in disciplinary action.

DISCIPLINARY REPORT

The Alabama Law requires the Board to regulate the conduct of appraisers in Alabama. The Board's Administrative Rules outline the procedure for handling complaints. The Uniform Standards of Professional Appraisal Practice provide the basic ethical standards for which appraisers must comply. Appraisers should carefully note the following violations, which resulted in disciplinary action by the Board.

AB-98-16, AB-98-20, AB-00-05 – On December 31, 2001, **Donald Manuel**, a Certified Residential (**R00460**) signed a Consent Settlement Order in connection with the appraisals of single-family residential properties. Terms include a public reprimand, a \$1,000 administrative fine, a thirty (30) day license suspension with a twelve (12) month probation period following suspension, and completion of a Board approved 15-hour USPAP course with exam. The discrepancies identified included: **AB-98-16** – Failed to provide the legal description and incorrectly reported the name of the neighborhood; failed to address the Intended Use and Scope of the report; failed to accurately describe the subject site; failed to address the functional and external depreciation; work file did not contain documentation to support site value estimate; and failed to include the state certification statement. **AB-98-20** – Failed to provide the property owner's name and inconsistently reported the lender/client name; failed to provide lot dimensions and incorrectly reported lot size, topography, Flood Map data and zoning class; understated the GLA by approximately 535 S/F, understated the size of the basement by 253 S/F, incorrectly displayed the floor plan for the second story; in the Cost Approach, a prefab fireplace and 4'x5' concrete stoop (porch) are valued at \$10,000 and not supported; failed to provide an analysis of the pending sales contract; licensee ignored sales from the Subject's town-home development that would have indicated a lower value; and failed to include the state certification statement. **AB-00-05** – Failed to provide acceptable justification for omission of Cost and Income Approaches; failed to

accurately identify the type of appraisal and the reporting format; failed to include the state certification; failed to provide a signed certification as required by USPAP.

AB-98-32, AB-98-33, AB-98-34, AB-98-42, AB-99-33 – On January 14, 2002, **Charles R. Higgins, Jr.**, a Certified Residential (**R00134**), signed a Consent Settlement Order in connection with appraisals of single-family residential properties and proposed subdivision. Terms include a public reprimand, a \$2,225 administrative fine, a forty-five (45) day license suspension with a twelve (12) month probation period following suspension, completion of a Board approved 15-hour USPAP course with exam, 40-hour Fundamentals course with exam, 15-hour Sales Comparison course with exam, and 15-hour Income Approach course with exam. The discrepancies identified included: **AB-98-32** – Field sketch incorrectly depicts layout of subject property; failed to support the significant difference between actual and estimated effective age; significantly understated the distance of sales #2 and #3 from the subject; no adjustment for excessive financing concessions; value contribution of a sunroom was double counted; failed to include the State certification statement. **AB-98-33** – Failed to disclose a TVA power transmission line easement and address the potential negative effects; failed to disclose a recent sale of the Subject; failed to provide necessary data in support of estimated development costs; failed to provide sufficient market analysis in support of the projected lot prices and absorption period; failed to accurately analyze and describe the comparable sales used; and failed to include the state certification statement. **AB-98-34** – Failed to accurately describe the subject property; submitted inaccurate documents to the Board in attempt to mitigate errors in report sent to the Client; failed to include the state certification statement. **AB-98-42** – description of Off-Site Improvements

incorrectly indicates "None" for Alley; the Sales Comparison Analysis is boilerplate that provides no meaningful explanation; failed to include the state certification statement. **AB-99-33** – Failed to retain work file documentation and appraisal report copy; failed to identify location as within a flood hazard area; failed to disclose that the dwelling was a combination manufactured and conventional construction; reported a "Quick Sale" value which was not defined or included in the statement of "Purpose".

AB-00-06 – On December 20, 2001, a Certified Residential signed a Consent Settlement Order in connection with the appraisal of a single-family residential property. The terms include a private reprimand, a \$650 administrative fine, completion of a Board approved 40-hour Appraisal Fundamentals course with exam, and completion of a Board approved 15-hour USPAP course with exam. The discrepancies identified included: Licensee reported a very low effective age without any explanation or documentation of repairs or rehabilitation that would support such; failed to analyze the sales contract that was included; and failed to provide adequate supervision for Trainee appraiser.

AB-00-07 – On December 7, 2001 a Letter of Warning was issued to a Trainee in connection with the appraisal of a single-family residential property in which he signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations included: Licensee reported an effective age of 10 vs. an actual physical age of 65 years without explanation or documentation that would support such a low effect age. Licensee failed to ANALYZE the sales contract attached to the subject report.

AB-00-15 – On December 19, 2001, a Certified Residential signed a Consent Settlement Order in connection with the appraisal of a single-family residential property. The terms include a private reprimand, a \$900 administrative fine and the completion of a Board approved 15-hour USPAP course with exam. The discrepancies identified included:

DISCIPLINARY REPORT

Failed to disclose intended use and scope; failed to state the type of appraisal performed or report completed; failed to explain the methodology used to estimate physical depreciation and state the remaining economic life; licensee utilized comparable sales that exhibited significant dissimilarities to the subject with respect to GLA size, site size, amenities, and basement; failed to employ proper adjustments to the comparable sales used. Licensee supplied incorrect photographs for comparables; incorrectly combined the basement square footage with the upper level to calculate total GLA; certified that he inspected the interior and exterior of the subject property when he did not; licensee failed to provide proper supervision for Trainee Appraiser.

AB-00-16 – On December 6, 2001, a Trainee signed a Consent Settlement Order in connection with the appraisal of a single-family residential property. The terms include a private reprimand, a \$650 administrative fine, completion of a Board-approved 15-hour USPAP course with exam, and completion of a Board-approved 40-hour entry-level appraiser course with exam. The discrepancies identified included: Licensee failed to disclose intended use and scope, failed to state the type of appraisal performed or report completed; failed to explain the methodology used to estimate physical depreciation and state the remaining economic life; licensee utilized comparable sales that exhibited significant dissimilarities to the subject with respect to GLA size, site size, amenities, and basement; failed to employ proper adjustments to the comparable sales used. Licensee supplied incorrect photographs for comparables; incorrectly combined the basement square footage with the upper level square to calculate total GLA; certified that he inspected the interior and exterior of the subject property when he did not; licensee's number was omitted from the certification page of the subject report.

AB-00-19 – On March 15, 2002, a Certified Residential signed a Consent Settlement Order in connection with the

appraisal of a single-family residential property. Terms include a private reprimand, a \$300 administrative fine and successful completion of a Board approved 15-hour USPAP course with exam. The discrepancies identified included: Licensee failed to accurately report property condition as required by the supplemental standards applicable to the assignment; failed to report the upstairs bedroom in GLA; failed to identify the scope and purpose of the assignment; Licensee failed to analyze a sale of the subject property that closed three months prior to the subject appraisal report.

AB-00-21 – On December 3, 2001, **Robert Dow**, a Certified Residential (**R00085**) signed a Consent Settlement Order in connection with the appraisal of a tract of land. The terms include a public reprimand, a \$550 administrative fine; completion of a Board approved 15-hour USPAP course with exam, and a 16-hour Condemnation appraisals course with exam. The discrepancies identified included: Licensee failed to develop the subject appraisal in a manner generally recognized and/or accepted to produce credible results in appraisal assignments involving eminent domain/ condemnation actions; failed to provide minimum information required to enable an intended user to understand the report; licensee failed to develop Highest and Best Use analyses for the Before and After parcels; failed to describe the extent of the process of collecting, confirming, and reporting data (scope); failed to set out the appraisal procedures followed and failed to reference the existence of specific work file information in support of the conclusion; failed to state reason for the exclusion of the usual valuation approaches that were omitted; licensee is a Certified Residential Real Property Appraiser and is limited to appraisals on non-residential properties having a transactional value of \$250,000 or less but reported the transactional value of the taking as \$560,000.



Continued from page 4

AB-00-38 – On March 15, 2002, a Trainee signed a Consent Settlement Order in connection with the appraisal of a single-family residential property. Terms include a private reprimand, a \$475 administrative fine and successful completion of a Board approved 15-hour USPAP course with exam. The discrepancies identified included: Failed to provide support of the significant difference between actual age and estimated effective age; failed to explain methodology used to estimate physical depreciation; failed to disclose the existence of a railroad track located parallel to the rear property line of the subject and the potential negative effect upon value; failed to accurately analyze and report the sales history of the subject; failed to accurately analyze the current Agreement of Sale and sales concessions.

AB-00-48 – On March 15, 2002, a Certified Residential signed a Consent Settlement Order in connection with the appraisal of a single-family residential property. Terms include a private reprimand, a \$575 administrative fine and successful completion of a Board approved Sales Comparison course with exam. The discrepancies identified included: Failed to disclose the intended use and scope; failed to provide support of the significant difference between actual age and estimated effective age; failed to explain the methodology used to estimate physical depreciation; failed to value the site by an appropriate method or technique; the report contained no meaningful reconciliation summary in support of the Sales Comparison Approach Value; failed to disclose the existence of a railroad track across the road from the subject and the regional airport down the road; failed to describe and analyze an existing sales contract; disclosure of Comp #2 as a one-story dwelling with 10 acres of land instead of a two-story dwelling with a one acre home site.

AB-00-50 – On March 5, 2002 a Letter of Warning was issued to a Licensed Real Property Appraiser in connection with the appraisal of a single-family residential property in which he signed as the supervisory appraiser. This

Continued on page 6

DISCIPLINARY REPORT

disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified included: failed to support the significant difference in the actual age of the subject and the reported effective age; the Cost Approach value was derived using a faulty depreciation rate due to the method of determining the effective age; the Sales Comparison Approach was not reconciled to the value stated in the report; the intended use of the appraisal is not reported; licensee failed to include a scope statement; licensee failed to describe how the site value was derived.

AB-00-51 – On March 5, 2002 a Letter of Warning was issued to a Licensed Real Property Appraiser in connection with the appraisal of a single-family residential property in which he signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified included: there is no narrative to support the significant difference in the actual age of the subject property and the reported effective age; the Cost Approach value was derived using a faulty depreciation rate due to the method of determining the effective age; the Sales Comparison Approach was not reconciled to the value stated in the report; the intended use of the appraisal is not reported; licensee failed to include a scope statement; licensee failed to describe how the site value was derived.

AB-00-56 – On December 10, 2001, a Certified Residential signed a Consent Settlement Order in connection with the appraisal of a tract of land. The terms include a private reprimand, a \$575 administrative fine, completion of a Board approved 15-hour USPAP course with exam, a 20-hour Highest and Best Use Analysis course with exam, and a 7-hour Vacant Land Appraisal course. The discrepancies identified included: Failed to state the intended use of the appraisal; failed to summarize the extent of the process of collecting, confirming, and reporting data (scope); stated that any supporting documentation not provided with the report concerning the data, reasoning, and analysis was retained in the appraiser's file it was

not; in describing the subject site inadvertently omitted a tract located in an adjoining section; neglected to disclose that a large portion had been strip mined and not reclaimed; failed to report a credible opinion of Highest and Best Use. Failed to consider, analyze, and report prior sales of the subject property that occurred within three years; in analyzing the sales utilized in the report, failed to adjust or applied insufficient adjustments for superior attributes; performed an appraisal assignment for which he lacked the necessary knowledge and experience to complete competently.

AB-00-67 – On April 19, 2002, A Trainee signed a Consent Settlement Order in connection with the appraisal of a condominium unit. Terms include a private reprimand, a \$500 administrative fine, and successful completion of a Board approved 15-hour USPAP course with exam and a 40-hour Appraisal Fundamentals course with exam. The discrepancies identified included: Licensee failed to provide the dimensions and/or gross area of the subject condominium site; failed to state the units per acre; failed to describe the site as Gulf Front. In the Sales Comparison Analysis, a 7-month old sale of an identical unit located one floor above the Subject was excluded from the analysis. Sale #1 was incorrectly described as having a 2BR-2BA floor plan – this unit had a 3BR-2BA floor plan; MLS data in the work file clearly disclosed that the unit was “nicely furnished” when sold – the report reflects no disclosure or adjustment for the inclusion of personal property in the sale. Sale #2 was inaccurately described as “Corner” rather than “Gulf front/Corner”. A (+) \$3,000 adjustment was applied for open parking in spite of MLS data from the work file that clearly showed the sale having covered parking. The Age of Sale #3 was misrepresented as “17Act/8Eff+/-” when it was approximately 5 years; licensee failed to apply the Income Approach in appraising the subject property or failed

to provide explanation for its omission.

AB-00-96, AB-00-97, AB-00-98 – On March 15, 2002, a Licensed Real Property Appraiser signed a Consent Settlement Order in connection with the appraisal of two single-family residential properties and a proposed subdivision. Terms include a private reprimand, a \$525 administrative fine and successful completion of a Board approved 15-hour USPAP course with exam. The discrepancies identified included: Failed to disclose the intended use and scope; failed to include the required license number on the report or client letter; failed to perform a subdivision analysis and failed to consider a discount for an absorption period to allow the sale of the lots over time; incorrectly estimated the value to the whole by adding together values of the various component parts; licensee performed a complex appraisal with a transaction value exceeding his License limitation; failed to disclose his lack of knowledge in performing complex appraisals and failed to obtain assistance from someone with knowledge to perform the appraisal competently.

AB-01-14 – On January 16, 2002, **Frank T. Rentz**, a Certified Residential (**R00220**), signed a Consent Settlement Order in connection with the appraisal of single-family residential. Terms include a public reprimand, a \$1,000 administrative fine and a one (1) year suspension of supervisory appraiser privileges. The discrepancies identified include: The stated Remaining Economic and Physical Life are not supported in the subject property's market or by life expectancy guidelines published in accepted data sources; the S/F reproduction cost for an unfinished basement is not supported by information in the work file or in accepted cost estimator publications; there is no analysis of the pending sales contract which the licensee provided as a part of the work file; licensee failed to include the state certification statement in the report; and licensee failed to adequately supervise a Trainee Appraiser in the development and communication of the subject appraisal.



Continued from page 5

Continued on page 7

DISCIPLINARY REPORT

AB-01-18 – On March 15, 2002, **Penny Lofton**, a Trainee Real Property Appraiser (**T00684**) signed a Voluntary Revocation Consent Order while under investigation for a complaint related to an appraisal of residential property. Licensee agreed to surrender her license to the Alabama Real Estate Appraisers Board in lieu of formal charges being issued by the Board. Terms of the Order stipulate that the licensee will be eligible to apply for reinstatement of her license after the expiration of a period of two years from the date the Board received possession of her license.

AB-01-25, AB-01-27 – On April 19, 2002, **David R. Mitchell**, a Trainee Real Property Appraiser (**T00699**), signed a Voluntary Revocation Consent Settlement Order while under investigation for complaints related to appraisal of single-family residential property. Licensee agreed to surrender his license to the Alabama Real Estate Appraisers Board in lieu of formal charges being issued by the Board. Terms of the Order stipulate that the licensee will be eligible to apply for reinstatement of his license after the expiration of a period of two years from the date the Board received possession of his license.

AB-01-29 – On February 11, 2002 a Letter of Warning was issued to a State Registered in connection with the appraisal of residential property in which he/she signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified included: There is no statement of intended use or scope of the appraisal process; there is no summary of the information considered and the reasoning supporting the analysis, opinions, and conclusions in the sales comparison value conclusion; there is no narrative summary to explain the method used to derive site value; the sales history is not fully reported and analyzed. The appraisal was completed for a federally

related transaction without obtaining a supervisor appraiser's signature.

AB-01-37 – On January 21, 2002 a Letter of Warning was issued to a Certified Residential in connection with the appraisal of a single-family residential property in which he signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified included: Licensee failed to retain documentation in the work file to support the statement that Site Value was based on the difference in lot values as per market extractions; licensee signed the Appraiser's Certification certifying that he had personally inspected the interior and exterior areas of the subject property, when in fact he had only inspected the exterior.

AB-01-38 – On January 21, 2002 a Letter of Warning was issued to a Trainee Real Property Appraiser in connection with the appraisal of a single-family residential property in which he signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified included: Licensee failed to retain documentation in the work file to support the statement that Site Value was based on the difference in lot values as per market extractions; licensee signed the Appraiser's Certification certifying that the Supervisory Appraiser had personally inspected the interior and exterior areas of the subject property, when in fact the Supervisory Appraiser had only inspected the exterior of the subject property.

AB-01-61 – On March 15, 2002, a Licensed Real Property Appraiser signed a Consent Settlement Order in connection with the appraisal of a single-family residential property. Terms include a private reprimand; an \$875 administrative fine; and successful completion of a Board approved 15-hour USPAP course with exam, a 15-hour Sales Comparison Approach course

Continued from page 6

with exam, a 15-hour Cost Approach course with exam, and a 30-hour Fundamentals course with exam. The discrepancies identified included: Failed to provide an adequate description of the neighborhood; the subject had an actual age of 90+ years and the effective age was estimated in the report to 4-5 years. There was no information to support the significant difference; failed to identify and account for functional obsolescence attributable to the location of the single bathroom; failure to explain and justify a "Lump Sum" figure of \$13,500 added to the Base Cost of the dwelling. Numerous comparable sales that were available in the immediate neighborhood were overlooked in favor of three properties that were substantially superior in Location, Site Value and Condition; Sale #1 was reported to have sold for \$230,000 – the correct sales price as shown in MLS and verified was \$190,000.

AB-02-19 – On April 19, 2002, a Letter of Warning was issued to a Certified Residential in connection with the appraisal of a single-family residential property. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified included: True comparable sales were not available in the subject neighborhood. Licensee used comparable sales that were superior to the subject in appeal, design, and location without making proper adjustment. The licensee reported the subject, a 59-year old house, to have an unrealistically high remaining economic and physical life of 80 years.

Disciplinary actions are based on all of the circumstances developed on a case-by-case basis, including the nature and severity of the offenses involved, prior disciplinary history and findings in support of a conclusion that the respondent has been rehabilitated. Violation descriptions may be summarized in instances where they would become repetitive. For these reasons cases may appear similar on their face yet warrant different sanctions.

**APPROVED LICENSURE COURSES
OCTOBER 1, 2000 – SEPTEMBER 30, 2002**

ALSO APPROVED FOR CONTINUING EDUCATION CREDIT

CONTACT SCHOOL FOR SCHEDULE OF COURSES

**Hours For Course (#)
Uniform Standards Of Professional Appraisal Practice (USPAP)**

SPONSOR AND COURSE

**ALABAMA APPRAISAL ACADEMY
Nona Andrews Birmingham, AL
(205) 870-4666**

USPAP (16)
HT -777 The Basic "How To" Appraise (25)
ARE-45 The Appraisal of Real Estate (45)
BC-45 Reading Blueprints & Home Construction (45)
EH-35 Environmental Hazards (35)
MSR-16 Marshall & Swift Residential Handbook (16)

**ALABAMA ASSOCIATION OF REAL ESTATE APPRAISERS
Everett S. Brooks, Jr. Huntsville, AL
(256) 539-2603**

USPAP (15)
Fundamentals of Real Estate Appraisal (45)
Introduction to Sales Comparison (15)
Appraisal Applications (15)
Introduction to Cost Approach (15)
Introduction to Income Approach (15)

**THE AMERICAN SOCIETY OF FARM
MANAGERS & RURAL APPRAISERS
Miranda Bagley Denver, CO
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USPAP (15)
Residential Real Estate Appraiser Course (60)

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(303) 758-3513**

110 Appraisal Principles (39)
120 Appraisal Procedures (39)
210 Residential Case Study (39)
310 Basic Income Capitalization (39)
320 General Applications (39)
330 Apartment Appraisal: Concepts & Applications (16)
410 Standards of Professional Practice, Part A (16)
430 Standards of Professional Practice, Part C (16)
500 Advanced Residential Form & Narrative Report Writing (40)
510 Advanced Income Capitalization (40)
520 Highest & best Use & Market Analysis (40)
530 Advanced Sales Comparison & Cost Approaches (40)
540 Report Writing & Valuation Analysis (40)
550 Advanced Applications (40)
600 Income Valuation Of Small, Mixed-Use Properties (16)
610 Cost Valuation of Small, Mixed-Use Properties (16)
620 Sales Comparison Valuation of Small, Mixed-Use Properties (16)
700 The Appraiser as an Expert Witness: Preparation & Testimony (16)
705 Litigation Appraising: Specialized Topics & Applications (16)

710 Condemnation Appraising: Basic Principles & Applications (16)
720 Condemnation Appraising: Advanced Topics Applications (16)

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Fundamentals of Real Estate Appraisal (45)
How to Use the URAR Form (15)
USPAP (15)

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USPAP (15)

**INTNATL ASSN OF ASSESSING OFFICERS
Vivian Bell Chicago, IL
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Course 101-Fund. of Real Property Appraisal (30)

**INTNATL RIGHT OF WAY ASSN
Francis Vicente Torrance, CA
(310) 538-0233**

100 - Principles of Land Acquisition (32)
404 - Appraisal Theory & Principles (40)
406 - National USPAP (15)
803 - Eminent Domain Law Basics (16)

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Continued from page 8

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9

Continued on page 10

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Continued from page 9

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ASB STATE ADVISORY BULLETIN

This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q&A is issued to inform appraisers, regulators, and users of appraisal services of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice (USPAP) in specific situations; and to offer advice from the ASB for the resolution of appraisal issues and problems.

QUESTION : Were any changes made to the Standards Rules addressing certifications (SR 2-3, 3-2(f), 5-3, 6-8, 8-3, and 10-3) for the 2002 edition of USPAP?

RESPONSE: Yes. As part of the updating of STANDARD 6 the certification requirements for a mass appraisal assignment were modified. Standards Rule 6-8 now requires a certification that is virtually identical to the certification required for other types of assignments. The only difference is the discipline-specific reference to professional assistance.

There were no other changes to the certification requirements for real property, personal property or business valuation assignments.

QUESTION : My state law requires an appraiser to retain workfiles for three years after the valuation date. Is this an example of Jurisdictional Exception?

RESPONSE: No. Jurisdictional Exception is defined in USPAP as

an assignment condition that voids the force of a part or parts of USPAP, when compliance with part or parts of USPAP is contrary to law or public policy applicable to the assignment.

In the scenario described, complying with the Record Keeping section of the ETHICS RULE would exceed the requirements of the law, but it would not be contrary to the law. By retaining access to workfiles for the longer period required by USPAP the appraiser would also be in compliance with the law. Therefore, this would not be a Jurisdictional Exception.

QUESTION : My state appraisal board has adopted a regulation requiring appraisers to provide a five-year sales history for the subject property in all assignments. Is this situation addressed in USPAP?

RESPONSE: Yes, USPAP defines Supplemental Standards as requirements issued by government agencies, government sponsored enterprises, or other entities that establish public policy which add to the purpose, intent or content of the requirements of USPAP, that have a material effect on the development and reporting of assignment results.

In the scenario described, an entity that establishes public policy has a requirement that adds to the requirements in USPAP. Therefore, failure to comply with the regulation would represent a violation of the SUPPLEMENTAL STANDARDS RULE.

QUESTION: I was recently told that USPAP allows appraisers to wait to create a workfile after the report has been delivered to the client for an appraisal, appraisal review, or appraisal consulting assignment. Is this true?

RESPONSE: No. The Record Keeping section of the ETHICS RULE states:

*A workfile must be in existence **prior to and contemporaneous with** the issuance of a written or oral report. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report. (Bold added for emphasis)*

It is advisable to create a workfile as soon as an agreement between an appraiser and a client results in an assignment.

For further information regarding USPAP Q&A, please contact:

Jim Park, Director of Research & Technical Issues

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